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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

January 26, 1998

Memorandum of Ex Parte Communication

Ms. Magalie Salas
Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Dear Ms. Salas:

Re: *CC Docket No. 96 -262 - Access Charge Reform*
CC Docket No. 97 – 158, CCB/CPD 97-67 – SWBT Transmittal No. 2633

On Friday, January 23, 1998, Mr. Andrew Bursten, President of Coastal Telephone Company, participated in meetings with the following members of the Commission in three separate meetings:

- Commissioner Furchtgott-Roth and Mr. Kevin Martin, Common Carrier Legal Advisor to the Commissioner
- Mr. Michael Riordan, Chief Economist, Mr. Pat DeGraba & Mr. Gary Biglaiser, from the Office of Plans & Policy, and Ms. Jane Jackson, Mr. Brad Wimmer, & Mr. Jay Atkinson, from the Common Carrier Bureau
- Ms. Tamara Preiss, Mr. Richard Cameron, Mr. Aaron Goldschmidt and Mr. David Konuch, all of the Competitive Pricing Division

Joining Mr. Bursten in the meetings from SBC were Ms. Sandy Kinney, Vice President & General Manager for Industry Markets and the undersigned. Mr. Dale (Zeke) Robertson, Senior Vice President – FCC also attended the first two meetings listed above.

Mr. Bursten described the number of providers of interstate access service available to Coastal, with a focus on special access services. Mr. Bursten indicated that Coastal purchases its special access services after evaluating competitive offerings and generally does not utilize SWBT as a provider of special access service because its generally available tariffed offerings cannot meet his business needs.

Ms. Kinney described SWBT's urgent need to obtain pricing flexibility, such as customer specific pricing, in competitive markets in order to satisfy the expectations of customers such as Coastal. She distributed the attached information that depicts the competitive fiber networks in the Texas cities of Dallas and Houston, as well as the High Capacity market share of CAPs in cities within SBC's operating territories.

We are submitting the original and one copy of this Memorandum to the Secretary in accordance with Section 1.1206(b)(2) of the Commission's rules.

Please stamp and return the provided copy to confirm your receipt. Please contact me at (202) 326-8889 should you have any questions.

Sincerely,

Jay Bennett

Cc: Commissioner Furchtgott-Roth, K. Martin, M. Riordan, P. DeGraba, G. Biglaiser, J. Jackson, B. Wimmer, J. Atkinson, T. Preiss, R. Cameron, A. Goldschmidt, D.Konuch (all w/o attachments)

Competitive Fiber Networks
Dallas, TX

LEGEND

- POP Locations for RFP
- ▲ Central Office Locations for RFP
- TCG Fiber (being bought by AT&T)
- MFS Fiber (now Worldcom)
- Metro Access Fiber (now Worldcom)
- MCI Metro Fiber (now Worldcom)
- Highways
- Zone 1 Wire Centers
- Wire Centers

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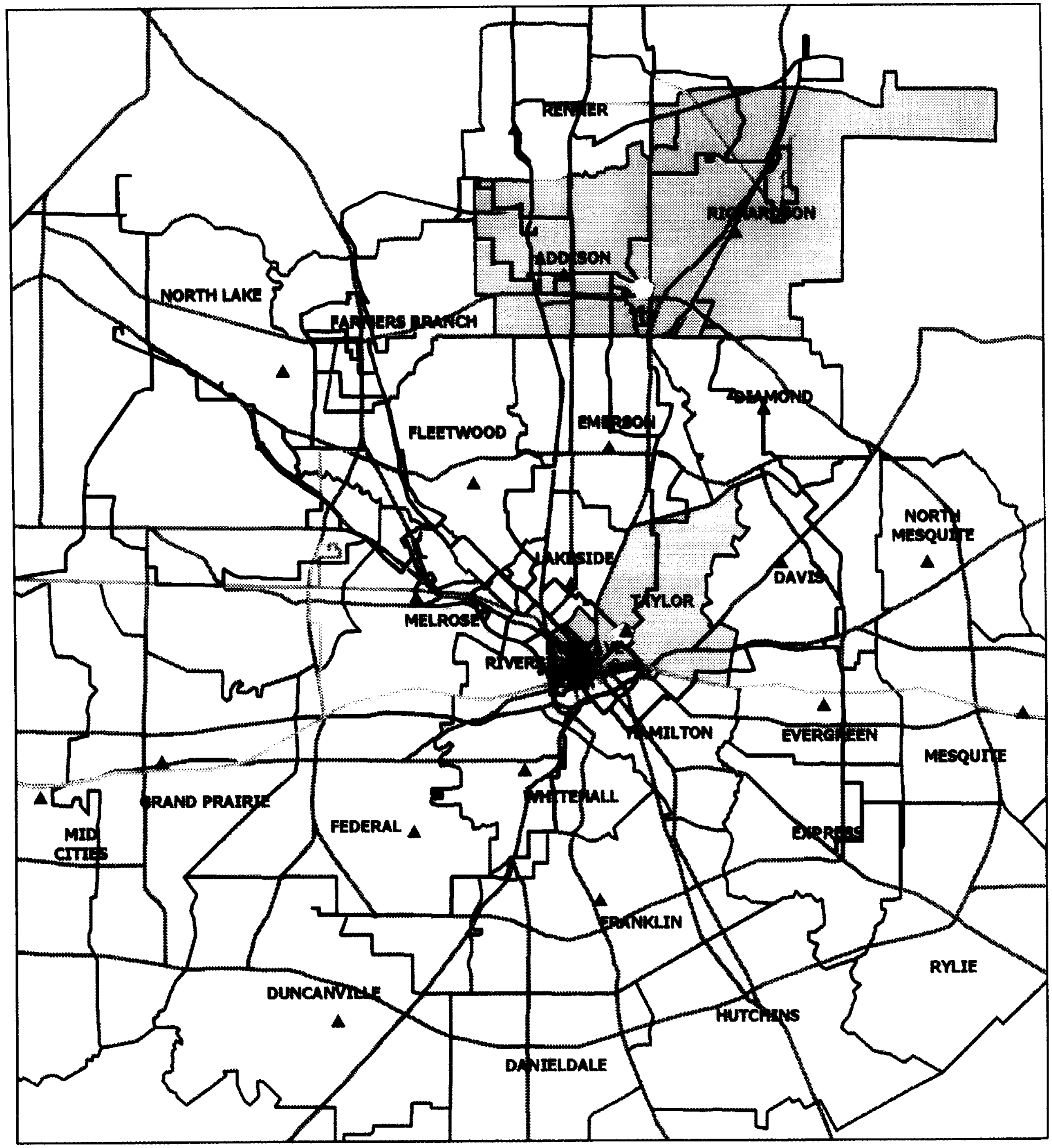

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Competitive Fiber Networks
Dallas, TX

LEGEND

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- Zone 1 Wire Centers
- Wire Centers

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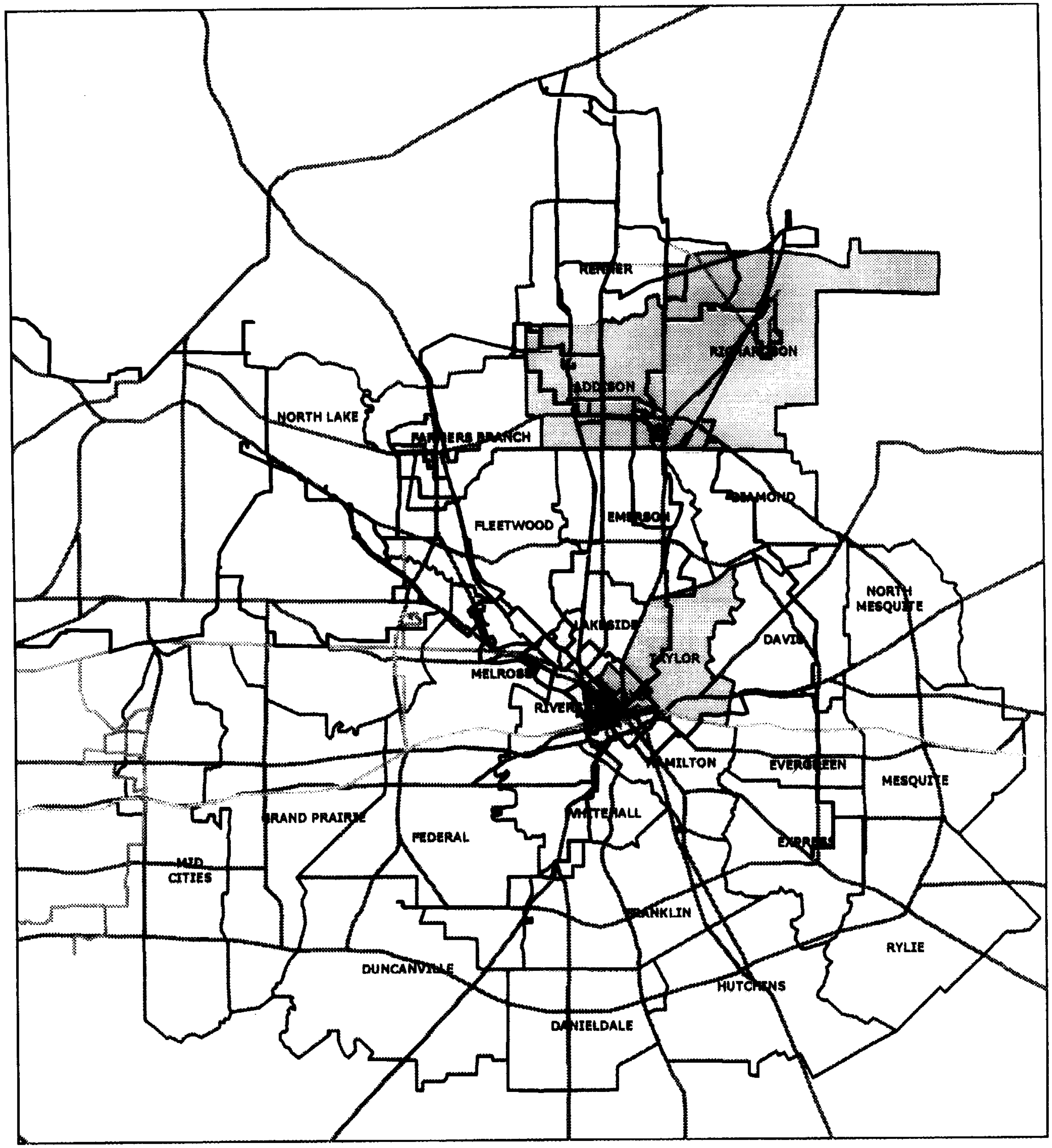

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Competitive Fiber Networks
Houston, TX

LEGEND

- ▲ Capitol Cental Office - RFP Site
- Clay Central Office - RFP Site
- ■ Customer Location - RFP Site
- ▲ National Central Office - RFP Site
- MFS Fiber (now Worldcom)
- TCG Fiber (being bought by AT&T)
- Time Warner Fiber
- MCI Fiber (now Worldcom)
- Phonoscope Fiber
- Highways
- Streets
- Zone 1 Wire Centers
- Wire Centers

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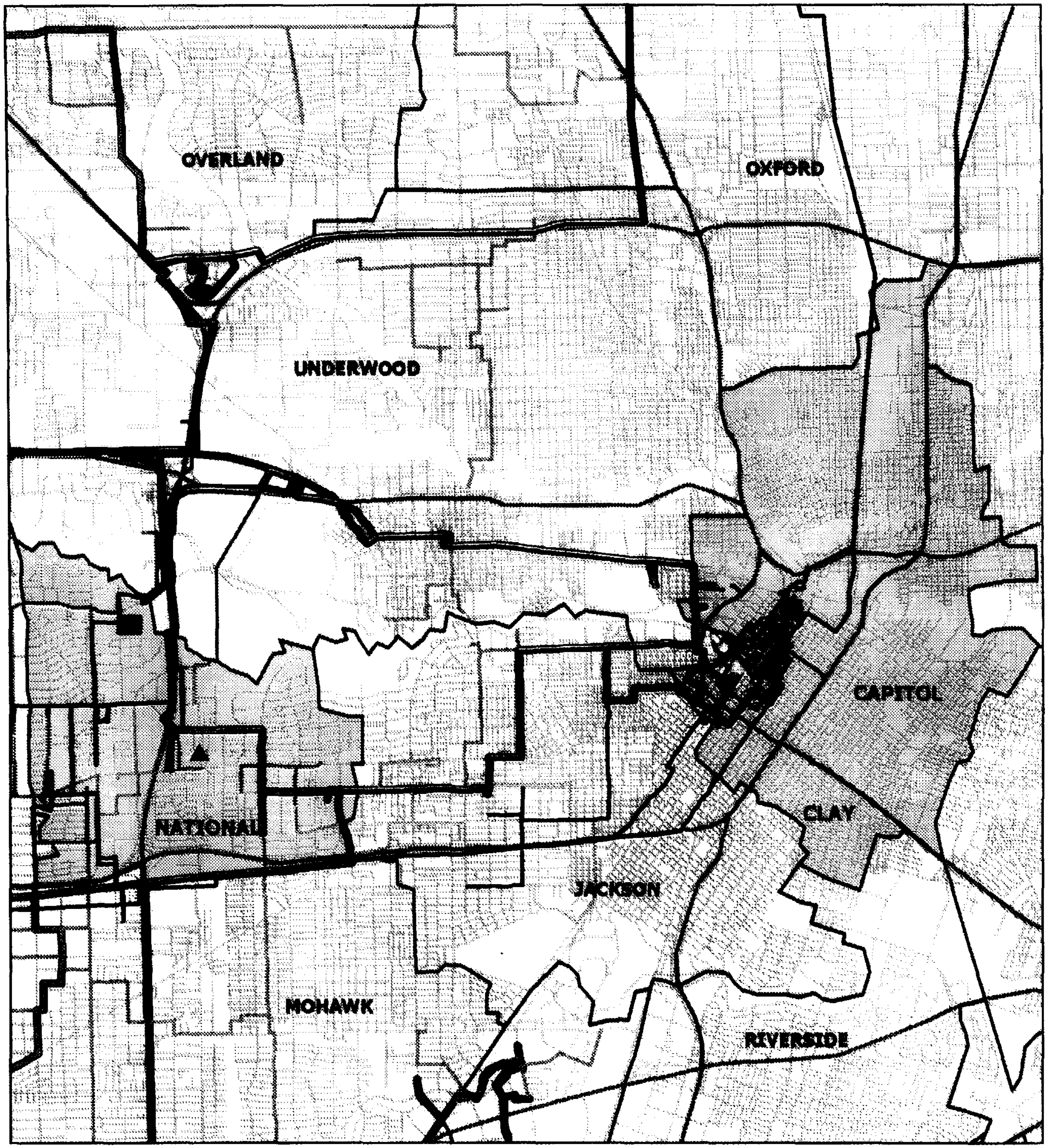

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Competitive Fiber Networks
Houston, TX

LEGEND

- MFS Fiber (now Worldcom)
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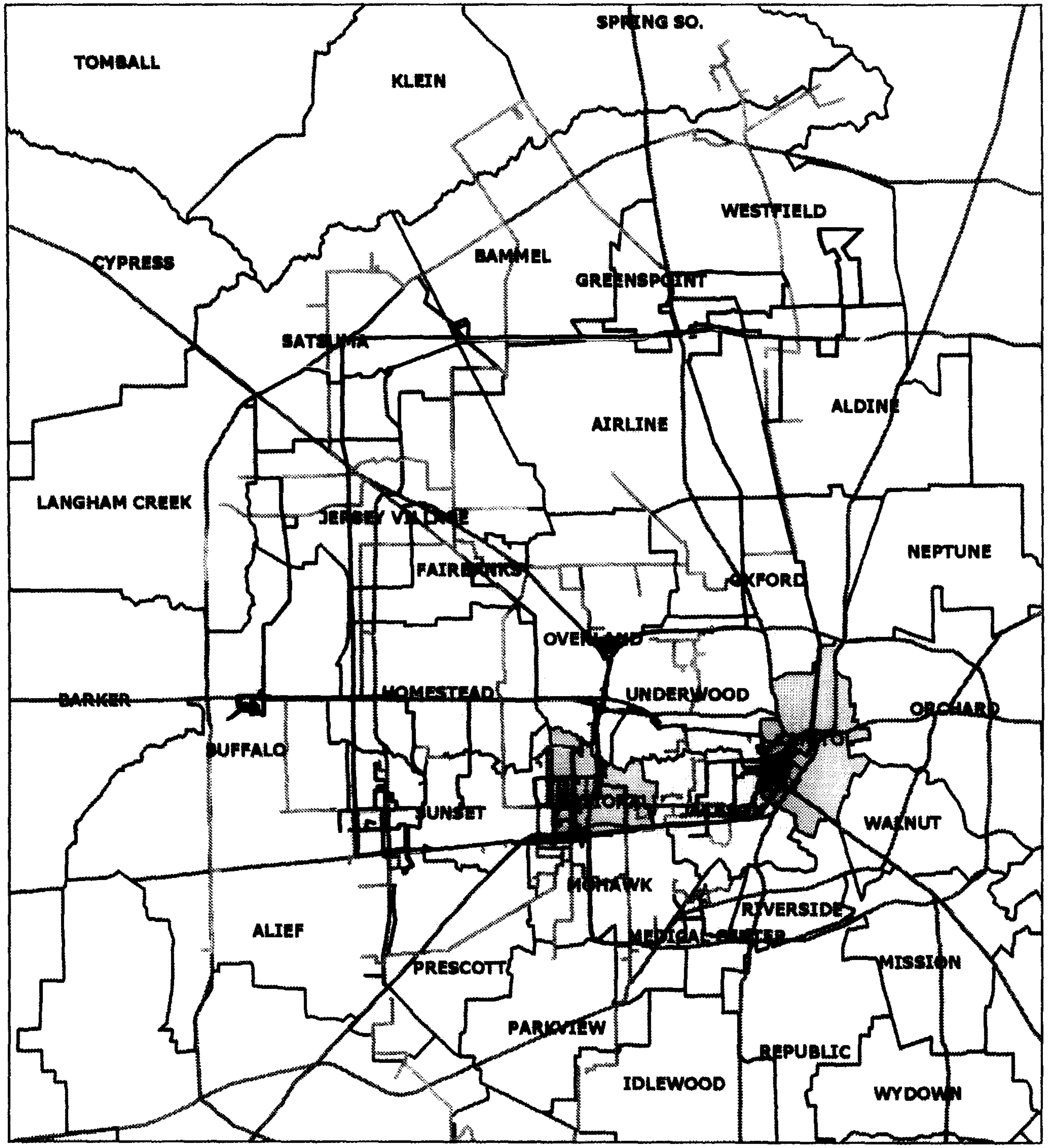

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- CAPs have been successful in the areas they have chosen to compete

City	CAP Market Share	CAPs operating in these Metro Areas
Dallas	43%	MFS, TCG, MCI Metro, ACSI, Brooks, MAN
Houston	38%	MFS, TCG, MCI Metro, MAN, Time Warner, Phonoscope
St Louis	15%	MFS, TCG, MCI Metro, DTI, St Louis Fibernet
Kansas City	7%	ACSI, Brooks, KC Fibernet
Los Angeles	49%	MFS, TCG, MCI Metro, ICG, GST, Nextlink
San Francisco	48%	MFS, TCG, MCI Metro, ICG
Sacramento	27%	Brooks, ELI, ICG
San Diego	30%	MFS, TCG, MCI Metro, ICG, Time Warner
San Jose	11%	MFS, TCG, Brooks
Orange County	58%	MFS, TCG, MCI Metro, ICG, GST, Nextlink
Average CAP High Capacity Market Share	**33%**	**In these metro areas where they have chosen to compete.**

Source: Quality Strategies, Pactel region data a/o 10/97, SWBT region data a/o 10/96

- The FCC has acknowledged that the Competitive Local Exchange Carriers (CLECs) can use unbundled network elements (UNEs) in lieu of Special Access. In Texas alone, $17 million is at risk in year one.

	Award	Intrastate Access*	Discount	Interstate Access*	Discount
Voice Service	12.83	93.32	86%	76.43	83%
DS1	40.95	845.00	95%	508.40	92%
DS3	491.56	--	--	5,659.00	91%

** Based on typical 8 mile transport*